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C O N F I D E N T I A L MADRID 002902

SIPDIS

STATE FOR EB, S/CT, EUR/ERA AND EUR/WE
TREASURY FOR DAS ZARATE AND OFAC

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TAGS: [ETTC](#) [EFIN](#) [PTER](#) [KTFN](#) [SP](#)

SUBJECT: TERRORIST FINANCE: VIEWS FROM THE WORKING LEVEL IN
SPAIN'S FIU

REF: MADRID 960

Classified By: acting Econ Counselor Richard C. Merrin for reasons 1.4
(b) and (d).

1. (C) Summary. SEPBLAC's (Spain's financial intelligence unit) working level officer responsible for terrorist finance issues, offered his views on legal and organizational issues affecting the fight against terrorist finance in Spain. He predicted that the regulations for Spain's 2003 Terrorist Finance law would be completed by October. He criticized the weak position SEPBLAC holds on the new Terrorist Finance Oversight Committee, but noted that his unit is committed to cooperation with other Spanish agencies and financial authorities. Our contact also mentioned that SEPBLAC is working on an improved bank communication system, that will bring rural banks under oversight. End Summary.

2. (SBU) We met July 22 with the key working level SEPBLAC officer responsible for terrorist finance issues. In the coming fiscal year, SEPBLAC will hire new officers to create a permanent terrorist finance unit, which our contact hopes to head. He just returned from a visit to FINCEN to gain understanding about the U.S. financial intelligence unit's (FIU's) role in combating terrorist financing. He mentioned several issues and goals that would enhance his organization's ability to investigate and combat terrorist financing in Spain.

3. (C) Our contact offered a positive outlook on the process of transcribing into regulation Spain's 2003 Law on the Prevention and Blocking of Terrorist Financing. He noted that the statutory Terrorist Finance Oversight Committee (The Committee) met last week to begin the regulation writing process. He hinted that a possible draft already exists and the process might be completed as early as October. Once fully enacted, Spain's regulators will have significantly more preventive and administrative power to fight terrorist financing.

4. (C) The SEPBLAC officer expressed concern with the way the law is currently written, giving sole authority to launch an investigation to the Secretary of State for Security in the Ministry of Interior. In his view, SEPBLAC is the more competent agency to police financial transactions because of its bank regulating role. He noted that his superiors are considering ways of upgrading SEPBLAC's authority on the commission during the regulation drafting. This may not be possible without a parliamentary change in the law.

5. (SBU) Increasing international and internal coordination is another SEPBLAC priority. Our contact noted that his agency is seeking greater information sharing with the Spanish Intelligence Agency, the Spanish National Police, the Guardia Civil, and the Ministry of Economy's Directorate General of the Treasury. He also mentioned that the current director of SEPBLAC is dedicated to improving outreach to FIUs in other countries.

6. (C) Our contact brought to light a weakness in SEPBLAC's ability to communicate asset search and freeze instructions to the entire Spanish banking system. Currently, SEPBLAC's directives only reach Spain's largest banks, covering 80-90% of bank activity. Small rural banks are not currently part of SEPBLAC's notification and information request system. To remedy this situation, the section our contact heads is developing a computer system upgrade to send communications to all banks in Spain. He predicted this system will be active in October.

7. (C) Comment. Our contact confirmed that at the working level, SEPBLAC is an organization committed to rooting out terrorist financing in Spain. As an FIU, SEPBLAC is the main entity that carrying out Spain's efforts to locate and freeze terrorist funds. His comments on the position of the Ministry of Interior's lead role on the Committee agree with our earlier concerns (reftel) on the Ministry of Interior's hesitance to carry out a preventive fight against terrorist financing. In another recent conversation, an MFA contact pointed out that preventive and administrative approaches to stopping terrorist financing are counter to the Spanish mind-set. Perhaps if SEPBLAC were given a stronger role, the

fight against terrorist financing would be more aggressive.
It will be interesting to see the outcome of the regulations,
should our contact be correct in his predicted October
completion date.
MANZANARES